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KANSAS HEALTH POLICY AUTHORITY

Update on KHPA Budget, Caseload, and Policy Initiatives

Joint Health Policy Oversight Committee

November 5, 2010

Dr. Andrew Allison, KHPA Executive Director

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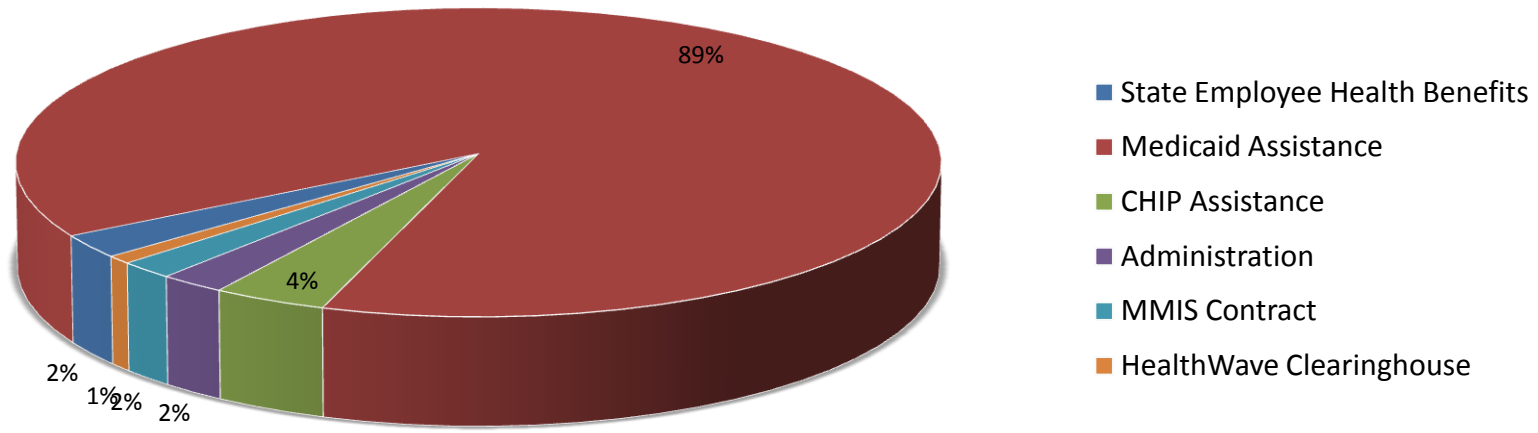
FY 2011 Revised KHPA Budget
All Funding Sources

Excluding transfers and off budget



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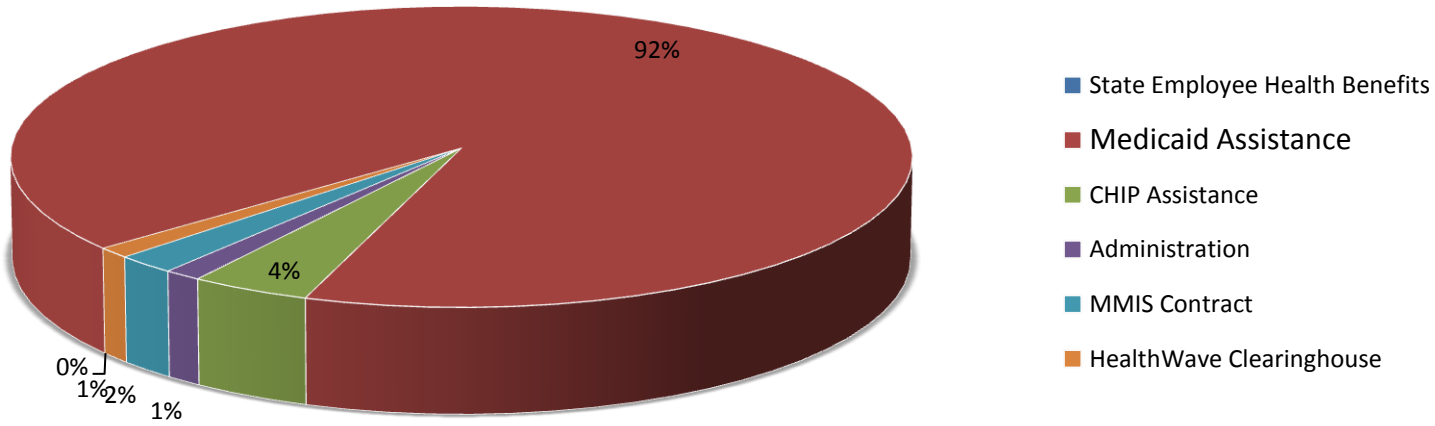
FY 2011 Revised KHPA Budget
State General Fund only



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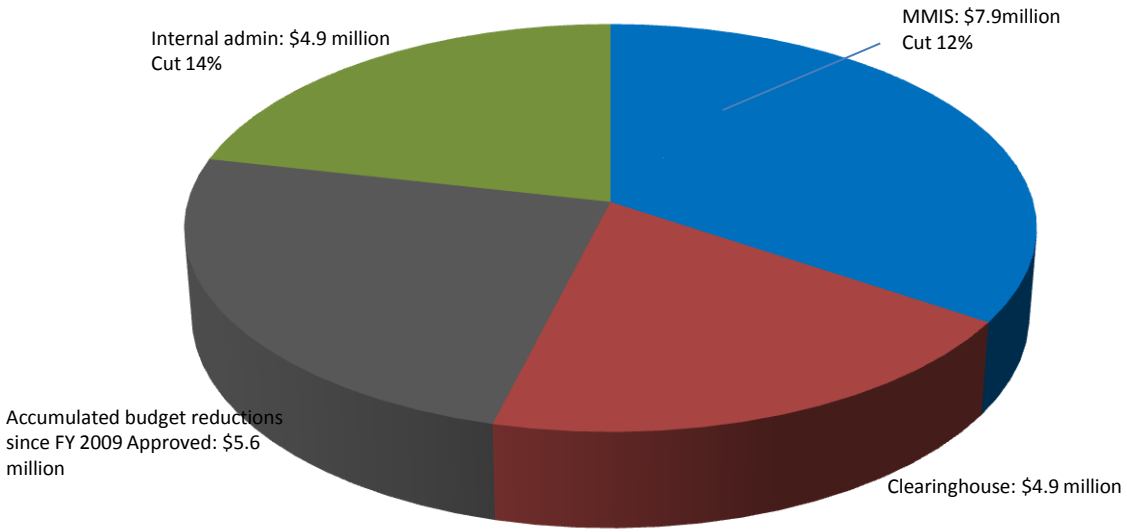
FY 2011 Submitted

State General Fund Operating Budget

$17.2 million (Cut 25% since FY 2009)



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FY 2011 – Actions to meet the approved budget

- Lay off of 7 staff
- Reduced selected staff pay
- Eliminated 20 contract employees, and replaced with 4 reallocated KHPA staff
- Froze overtime at Eligibility Clearinghouse.

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Status of FY 2012 Budget initiatives

Cost Recovery Audit Contract.

Developed a Request for Proposal to identify and collect Medicaid over-payments.

Medicaid recovery services are consistent with the forthcoming Medicaid regulations requiring states to use recovery audit services.

Other state agency programs are included in the RFP to identify potential savings from interagency and multiple service categories.

State Employee's Health Plan recoveries can be proposed.

RFP was developed with all agencies input, closed on October 29.

Expect to award the contract by December and start the contractors work by January.

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Status of FY 2012 Budget initiatives

Cost Savings/Efficiency Request for Information.

Developed a Request for Information to seek products and services from vendors that could reduce Medicaid costs.

Services are not specified, but might include care coordination, disease state management, technology and data services, etc.

Can propose products that integrate service systems or cut across Medicaid agencies.

Responses were due by October 29. Will review the policy options with the KHPA Board and Legislature.

KHPA may proceed with a Request for Proposal process to acquire services that have potential for cost savings.

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Status of FY 2012 Budget initiatives

Legislature Directed Medicaid Policy Changes

	SGF	All Funds
Eliminate coverage of certain over the counter medications	(71,260)	(200,000)
Pursue more aggressive pricing for specialty drugs in Medicaid	(94,063)	(264,000)
Limit first fill of a name brand prescription to 15 days	(84,000)	(240,000)
Reduce hospice benefits	(1,458,188)	(4,166,250)
Expand Drug Use Reviews, provider education, and peer intervention	(175,000)	(500,000)
Implement 4 brand name prescription per month limit and tiered formulary	(3,696,000)	(12,320,000)

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Status of FY 2012 Budget initiatives

HealthWave Premium Increase

2010 Legislature reduced the CHIP budget by $11.0 million ($2.8 million from the State General Fund), directing KHPA to increase premiums by $40 per family per month.

KHPA submitted the required plan amendments to CMS effective for July 1, 2010.

CMS has indicated that it will not approve the $40 premium increase.

[see separate letter from CMS]

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Medicaid Caseload

FY 2011 Revised

- Replace $30.6 million in ARRA stimulus anticipated in the approved budget for period beginning January 1, 2011.

- Observed a 7.8% increase in total expenditures from FY 2010
  - Restoration of 10% payment reduction
  - Anticipate a 3.7% increase in family enrollment, including a higher than expected growth rate through March 2011 as the application backlog is resolved.
  - Elderly and disabled population make up 49% of the expenditure increase from FY 2010.

- Account for $15.8 million from Medicaid Recovery Audits (Legislative estimate).

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Medicaid Caseload

FY 2012 Estimate

- Replace all ARRA stimulus funding.
- This includes an adjustment in state funding related to the base Federal Matching rate, which ARRA had frozen - $34.2 million compared to FY 2011.
- $14.6 million increase in state funds for Medicare Part D clawback
- Consensus group voted to reduce State General Fund by an additional $10.0 million for second year of Medicaid Recovery Audits.

- Expecting enrollment increase of 4.7% with an average cost increase of 3.6%.
  - Disabled population make up 50% of the growth due to enrollment and cost increases.
  - KHPA increased its estimate of projected growth in the Medicaid aged and disabled populations.
  - Families make up 23% of the increase related to increased enrollment.